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September 19, 1979

10829

RECORDATION NO. Filed 1425

SEP 18 1979 - 10 25 AM

INTERSTATE COMMERCE COMMISSION

Mrs. Mildred R. Lee
Recordation
Room 2303
Interstate Commerce Commission
12th and Constitution, N.W.
Washington, D.C. 20423

Dear Mrs. Lee:

Transmitted herewith for recording are three acknowledged copies of a Security Agreement executed on August 29, 1979, by Arthur R. Dubs, 2249 Dellwood, Medford, Oregon 97501, in favor of Wells Fargo Bank, N.A., 464 California Street, San Francisco, California 94104. This Security Agreement secures a loan from Wells Fargo to Dubs for the refinancing of the railroad cars described as collateral in Exhibit A attached to the Agreement and grants to Wells Fargo a security interest in, among other things, the railroad cars and all their appliances, parts, accessories and equipment.

Thank you for your attention to this matter.

Sincerely,

Michael P. Mabile

Michael P. Mabile

RECEIVED
SEP 19 10 15 AM '79
T.O.C.
FEE OPERATION

9 262A011

SEP 19 1979

Date
Fees \$ 50.00

CC Washington, D. C.

Consent of Mrs. Lee

Interstate Commerce Commission
Washington, D.C. 20423

9/19/79

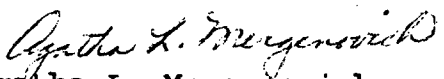
OFFICE OF THE SECRETARY

Michael P. Mabile
Verner, Lllpfert, Bernard & McPherson
1660 L. St., N.W. Suite 1100
Washington, D.C. 20036

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 9/19/79 at 10:25am , and assigned re-recording number(s). 8626-D & 9021-A, 10829

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

SEP 18 1979 - 10 25 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

This Agreement is made this 29th day of August, 1979 by
ARTHUR R. DUBS ("Borrower") for the benefit of WELLS FARGO BANK,
N.A. ("Bank").

RECITALS

WHEREAS, Borrower has purchased 148 covered hopper railcars and has entered into two Management Contracts dated December 22, 1976 and September 29, 1977 (the "Management Contracts") with PLM, Inc. (formerly known as Professional Lease Management, Inc.) ("PLM") whereby PLM has agreed to manage such railcars as Borrower's agent. Two of the original 148 railcars have since become inoperable; the remaining 146 railcars are described in Exhibit A attached hereto and are referred to herein as the "Cars."

WHEREAS, PLM, as agent for Borrower and owners of other similar railcars, has entered into three Master Lease Agreements for Railroad Cars with, respectively, Continental Grain Company, CF Industries, Inc., and William M. Gibbons, Trustee of the Chicago, Rock Island & Pacific Railroad (collectively the "Lessees") all dated February 15, 1977 (such Master Lease Agreements For Railroad Cars, as amended, shall be referred to collectively as the "Leases") providing that, from time to time, the Cars shall be used by each of the Lessees subject to the Leases.

WHEREAS, Borrower financed the purchase of the Cars with two loans (the "Morgan Loans") from Morgan Guaranty Trust Company of New York ("Morgan") granted pursuant and subject to two Loan Agreements between Borrower and Morgan dated, respectively, December 22, 1976, and September 30, 1977 (the "Morgan Loan Agreements") and, to secure

the Morgan Loans, executed two security agreements dated December 22, 1976 and September 30, 1977 (the "Morgan Security Agreements"), which were recorded December 22, 1976, and _____ with the Interstate Commerce Commission ("ICC").

WHEREAS, the Bank has agreed to make a loan to Borrower in the principal amount of \$2,856,165.00 (the "Loan") in order to refinance the Cars pursuant to the terms and conditions of the Loan Agreement of even date herewith between Bank and Borrower (the "Loan Agreement"), including the requirement that the Loan be secured by a security interest in the Cars, the Management Contracts, the Leases and other collateral described herein.

NOW, THEREFORE, Borrower agrees as follows:

1. Security Interest and Assignment. Borrower hereby grants, assigns, mortgages and transfers to Bank a security interest in and to all of Borrower's right, title and interest in and to the following described collateral (collectively, the "Collateral"):

(a) The Cars and all appliances, parts, accessories and equipment now or hereafter incorporated or installed in or attached to the Cars, along with all substitutions or replacements of any of the foregoing;

(b) All of Borrower's rights, powers and privileges under the Leases and all subsequent leases of the Cars (such other leases, together with the original Leases being referred to collectively as "Leases" and all persons or entities obligated as lessees on such Leases being referred to as "Lessees"), including without limitation the immediate and continuing right to receive and collect all payments, awards, insurance proceeds and other sums receivable by the Borrower pursuant to the Leases, whether from an insurer or one

or more Lessees, and to execute and deliver all waivers, consents and agreements, to give and receive all notices and instruments and to do all other things which the Borrower is or may become entitled to do under one or more of the Leases;

(c) All claims, rights, powers, privileges and remedies on the part of the Borrower with respect to the Management Contracts and all amendments, extensions and renewals thereof, and all of Borrower's rights under any subsequent agreement with PLM with respect to the Cars or any other agreement between Borrower and any other person or entity engaged to manage the Cars; and

(d) All proceeds, including insurance proceeds, from the sale, exchange, lease or other disposition of any of the foregoing; together with full power and authority, in the name of the Bank or the Borrower or otherwise, or as attorney-in-fact hereby irrevocably constituted, to enforce, collect and receive, and receipt for, in accordance with the terms and conditions hereinafter set forth any and all of the foregoing rights and sums assigned, or entitled to be received pursuant to other rights assigned.

2. Obligations Secured. This Agreement is made to secure (1) payment of principal and interest on Borrower's promissory note made pursuant to the Loan Agreement (the "Note"), and all extensions, renewals, and modifications thereof, (2) payment and performance of all Borrower's obligations under this Agreement and the Loan Agreement, and (3) payment and performance of all other debts and obligations of any kind whatsoever now or hereafter owed by Borrower to Bank.

3. Protection of Security. To protect the security afforded by this Agreement, the Borrower agrees:

(a) To perform and comply with each and every term of each of the Leases and of the Management Contracts to be performed or complied with by the Borrower.

(b) Unless the prior written consent of the Bank shall have been obtained, Borrower will not amend, modify, extend or in any way alter any of the terms of any Lease (other than any amendment modification to a Lease increasing the amount payable pursuant to such Lease, extending the term of such Lease or adding to the Cars subject to such Lease) or the Management Contracts, or cancel or terminate any Lease or consent to or accept any cancellation, termination or surrender thereof, or waive any default under or breach of any Lease or the Management Contracts, or consent to or accept any prepayment of rent under any Lease or agree to any discount of rent thereunder, or give any other consent or notice under any Lease or make any agreement with any Lessee with respect to any Lease; provided, however, that a Lease may be cancelled or terminated if subsequently all Cars subject to such Lease are released by the Borrower for similar periods on similar or better terms within 60 days after such cancellation or termination.

(c) If the Borrower shall fail to make any payment or to do any act required by the Loan Agreement or this Agreement, the the Bank shall have the right to (but shall not be obligated to), without prior notice to or demand on the Borrower and without releasing the Borrower from any obligation hereunder or thereunder, make or do the same in such manner and to such extent as the Bank may deem necessary or advisable to protect the security hereof, including specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect

the security hereof or the rights or powers of the Bank and also the right to perform and discharge each and every obligation, covenant and agreement of the Borrower contained in any Lease, or the Management Contracts; and in exercising any such powers the Bank may pay reasonable costs and expenses (including attorneys' fees), which costs and expenses shall be reimbursed by the Borrower to the extent not reimbursed by a Lessee. The Bank shall give the Borrower notice of any action taken pursuant to this paragraph.

(d) If any lien, encumbrance or charge of any kind based on any claim (including without limitation any claim for income, franchise or other taxes, whether Federal, state, local or otherwise) shall be asserted or filed against any of the Collateral, or any order (whether or not valid) of any kind shall be entered with respect to any of the Collateral by virtue of any claim of any kind in either case so as to (x) interfere with the due application of any amount pursuant to the provisions hereof or (y) subject the Bank to any obligation to refund or make any payment in respect of any amount applied to the payment of the Note or to obligations under the Loan Agreement or hereunder, then the Borrower will promptly take such action (including, but not limited to the payment of money) as may be necessary to prevent or remedy the cause of such interference or such obligation as the case may be.

(e) The Borrower agrees that the Borrower shall give the Bank prompt written notice if the use of any Cars shall be changed from that contemplated by the Leases, such notice to specify such new use of Cars.

4. Power of Attorney. The Borrower hereby appoints the Bank its true and lawful attorney, effective immediately upon the

occurrence of an Event of Default under the Loan Agreement or a declaration of the principal of and interest on the Note to be due and payable thereunder, with full power of substitution, to enforce the Borrower's rights under the Leases, and the Management Contracts, and to take any other action which the Bank may deem necessary or appropriate to protect and preserve the security interest of the Bank in the Collateral.

5. No Assumption by the Bank. Anything herein to the contrary notwithstanding: (a) the Borrower shall at all times remain liable to the respective Lessees under the Leases and to PLM under the Management Contracts to perform all the duties and obligations of the Borrower thereunder to the same extent as if this Agreement had not been executed; (b) the exercise by the Bank of any of the rights assigned hereunder shall not release the Borrower from any of its duties or obligations under any Lease or under the Management Contracts; and (c) the Bank shall not have (and the Borrower shall indemnify the Bank for, and hold the Bank harmless from) any obligation or liability under Lease or any Management Contract by reason of, or arising out of, this Agreement, nor shall Bank be obligated to perform any of the obligations or duties of the Borrower under any Lease or any Management Contract or to make any payment or to make any inquiry as to the sufficiency of any payment received by it or to present or file any claim or to take any other action to collect or enforce any claim for any payment assigned hereunder, or to pay or to see to the payment of or to make any filings in respect of any taxes levied on or with respect to any Lease, the rentals thereunder or any Cars.

6. Remedies on Default. If an Event of Default under the Loan Agreement shall occur and be continuing, or if the Borrower shall breach any provision of this Agreement or if the principal of and interest on the Note shall have been declared to be due and payable and such declaration shall not have been rescinded, the Bank, without obligation to resort to any other security, shall have the right to require Borrower to assemble and deliver the Collateral, including the Cars, to Bank at a place designated by Bank, have the right, without notice, demand, or legal process to enter on any premises of Borrower to take possession of the Collateral or any part thereof, right, to the extent permitted by law, at any time and from time to time, in its sole discretion, to sell in a commercially reasonable manner (subject to any rights of a Lessee under a Lease) the Collateral and all right, title and interest, claim and demand therein and right of redemption thereof, at public or private sale, for cash, upon credit or for future delivery, and in connection therewith the Bank may grant options, all without either demand, advertisement or notice, all of which are hereby expressly waived, except that at least ten days before any such sale the Bank shall mail or deliver to the Borrower at his latest address known to the Bank a notice stating the time and place of such sale. Any person or entity, including Bank, may bid at such sale and purchase the Collateral free from any equity or right of redemption, which is hereby waived and released, to the extent permitted by law.

Upon any such sale, after deducting all costs and expenses of every kind for sale or delivery, including attorneys' fees and disbursements, from the proceeds of sale, the Bank shall apply any residue to the payment of any liabilities secured hereby. The

balance, if any, remaining after payment in full of all such liabilities shall be paid to the Borrower. The rights of the Bank specified herein shall be cumulative and shall in no event be deemed exclusive of any other rights the Bank may have pursuant to the Loan Agreement, or the laws (including without limitation the Uniform Commercial Code) of the United States or of any state of the United States. Notwithstanding the foregoing, the security interests granted hereby are effective immediately and their effectiveness is not contingent upon the occurrence of an Event of Default under the Loan Agreement.

In case of any sale of the Collateral under this Agreement or any part thereof, any purchaser shall be entitled, to the extent permitted by law, for the purpose of making payment for the property purchased, to use the Note and claims for interest thereon, in order that there may be credited thereon the sum payable out of the net proceeds of such sale to the holder of such Note and claims for interest as his ratable share of such net proceeds; and thereupon such purchaser shall be credited on account of such purchase price with the portion of such net proceeds that shall be applicable to the payment of, and shall have been credited upon, the Note and claims for interest so used; and at any such sale, any holder of the Note may bid for and purchase the property offered for sale, may make payment on account thereof as aforesaid, and upon compliance with the terms of sale, may hold, retain and dispose of such property without further accountability therefor.

7. Further Assurance. The Borrower from time to time will execute, deliver to the respective Lessees and PLM for execution, deliver to the Bank and file all such instruments and take, and

cause to be taken, all such actions as the Bank may reasonably request in order to preserve and protect the security interests granted or intended to be granted to the Bank hereunder, to effectuate the purposes of this Agreement or to carry out the terms hereof, including without limitation the execution and filing of financing statements or continuation statements. The Borrower hereby authorizes the Bank to file this Agreement or financing statements with respect to the Collateral with any appropriate governmental office or offices in order to perfect the security interests granted hereby.

8. Assignment. All or any of the rights, title or interest of the Bank in, to or under this Agreement may be assigned or transferred any may be reassigned or retransferred by an assignee of the Bank, or any successor assignee, at any time and from time to time, provided, however, that any such assignment or transfer shall not violate the Securities Act of 1933, or applicable provisions of state securities laws as then in effect.

9. Termination. The security interests created hereunder will terminate when all the obligations of the Borrower under the Note, the Loan Agreement and this Agreement are discharged (and all amounts due hereunder and thereunder have been paid) and the Bank, at the request of the Borrower, will then execute termination statements and such other documents as may be necessary or appropriate to make clear upon the public records the termination of such security interests.

10. Controlling Law; Successors and Assigns. This Agreement shall be governed by and be construed in accordance with the laws of the State of California and shall inure to the benefit of and be

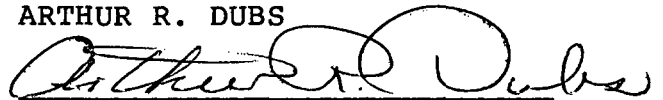
binding upon the Borrower and the Bank and their respective successors and assigns.

11. Changes, Waivers, etc. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement thereof is sought. No failure or delay by the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

12. Separability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, Borrower has executed this Agreement as of the date first above written.

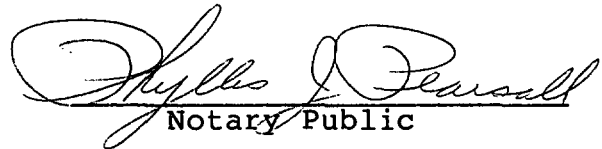
ARTHUR R. DUBS

A handwritten signature in cursive script, appearing to read "Arthur R. Dubs", written over a horizontal line.

INDIVIDUAL ACKNOWLEDGEMENT

STATE OF OREGON)
COUNTY OF JACKSON) :ss

On this 29th day of August, 1979,
before me personally appeared ARTHUR R. DUBS, to me known to be the
person described in and who executed the foregoing instrument and he
acknowledged that he executed the same as his free act and deed.


Notary Public

[SEAL]

My commission expires 10/09/80

EXHIBIT A

<u>Quantity</u>	<u>Type</u>	A.A.R. <u>Identifying</u> <u>Numbers</u>
146	4,750 cubic foot capacity, 100 ton truck, gravity discharge covered hopper car.	PLMX 10001 through PLMX 10027; PLMX 10029 through PLMX 10089; PLMX 10092 through PLMX 10129; and PLMX 10131 through PLMX 10150